

PHILIP MORRIS U. S. A.

I N T E R - O F F I C E      C O R R E S P O N D E N C E

Richmond, Virginia

To: R. Heretick

Date: June 3, 1991

From: R. Fenner

Subject: Blend Composition Analysis - USA Competitive Market Program

A number of meetings have been held to discuss extending the use of the chemical-based, blend composition model as a more routine tool for competitive brand intelligence. The basic concept would have the Cigarette Testing Services Division serve a coordination role for sample receiving and report preparation, the Analytical Research Division performing chemical analyses, and the Leaf Department providing supporting information on blend formulations. As part of this exercise, G. Bokelman has requested that we assemble a minimum list of brands suitable for tracking blend formulation activity in the US market.

The attached list of domestic competitive brands was put together based on CI report information (i.e., % ET, % stems, alkaloids and sugars) and discussions with Warren Claflin and Ed Wickham. The number of brands selected for RJR and B&W reflects their status as more likely to be active in blend control relative to other competitors. Given the number of brands selected and current resources in the Analytical Research Division, this screening program for the US market could be accommodated two to three times per year. Prior to initiating this program, the chemical database, last developed in 1989, would need to be updated to reflect current tobaccos in use. This update activity would require approximately 40 samples and several months to accomplish. Increasing either the number of samples tested or the frequency of testing would necessarily entail increasing the resources in Analytical Research allocated to this activity.

In anticipation of performing market surveys, an abbreviated screening program has been initiated with several PM domestic and one PM export brand. Marlboro (MC), Marlboro Menthol (Louisville), Merit (Cabarrus), and PM Lights (Cabarrus) all as 85 mm soft pack are being evaluated monthly to establish a baseline for and statistical reliability of the chemical-based model. Both the total blend as well as the expanded tobacco fraction of each product are being tested. Reports will categorize blend information as % Bright Lamina, % Burley Lamina, % Oriental Leaf, and % Stems. Reconstituted tobacco, expanded tobacco and expanded stem contents will still be provided by the existing picking methods.

A further topic of discussion in the meetings has been development of a means to cross-check results (of PM products) with Leaf Department blend information. This would require translating blend formula information by calculation into the prediction categories provided by the model.. In principle, this should be achievable, but it has not yet been pursued in practice.

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Also attached is a list of competitive brands for the Asian and Latin American markets. This information was supplied by C. Brumberg in consideration of possible application of a screening program for these markets.

Please let me know if any further information is required.

c: G. Bokelman  
C. Brumberg  
J. Charles  
W. Claflin  
C. Ellis  
R. Ferguson  
P. Grantham  
B. Handy  
J. Myracle  
W. Ryan  
J. Stimler  
E. Wickham



Attachment

| <u>Philip Morris</u>       | <u>R. J. Reynolds</u> | <u>Brown &amp; Williamson</u> |
|----------------------------|-----------------------|-------------------------------|
| Marlboro KS (SP)           | Winston KS (SP)       | Raleigh KS (SP)               |
| Merit KS (SP)              | Doral KS (SP)         | Raleigh Lights KS (SP)        |
| Marlboro Menthol KS (SP)   | Salem KS (SP)         | Kool KS (SP)                  |
| Merit Ultra Lights KS (SP) | Vantage KS (SP)       | Barclay KS (SP)               |
| Cambridge FF KS (SP)       | Camel (NF)            | Capri 100 (Box)               |
| P.M. Commander             | Now KS (SP)           |                               |

| <u>Lorillard</u> | <u>American</u>      | <u>Liggett</u>         |
|------------------|----------------------|------------------------|
| Newport KS (SP)  | Carlton KS (SP)      | Pyramid Lights KS (SP) |
| Kent KS (SP)     | Lucky Strike KS (SP) | L & M KS (SP)          |